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TAGS: [ECON IS ECONOMY AND FINANCE](#)

SUBJECT: THE ISRAELI TOURISM SECTOR, JANUARY TO JUNE 2005

1. (U) Summary: The number of tourist entries from January to June 2005 increased 27.3 percent year-on-year. The Bank of Israel (BOI) is forecasting a total of 1.9 million visitors this year contributing to a 0.2 percent increase in GDP. The BOI and Bank Leumi are citing a calmer security situation as the reason for the increase in tourists, and the Ministry of Tourism (MOT) is claiming visitors have helped create 6,000 new jobs in the first six months of 2005. The Transportation Ministry has convened with an inter-agency committee to discuss an "open skies" agreement, while the MOT hopes to present a bill by the end of the year to legalize gambling. In the near future, the MOT plans to put an emphasis on tourism to Jerusalem and the Negev, and is thinking about preparations for Israel's 60th anniversary in 2008. End summary.

Tourism, A Bright Spot In The Israeli Economy In 2005

2. (U) From January to June 2005, 864,200 tourists entered Israel, a 27.3 percent increase compared to 679,300 during the same period in 2004. In a recent press release, Tourism Minister Avraham Hirschson stated that Israel is "witnessing a tremendous momentum in the tourism sector," and that this is due to a new era in the Israeli economy. The Bank of Israel (BOI) reports that 1.06 million tourists entered Israel in 2003, 1.5 million in 2004, and 1.9 million tourists will arrive in 2005.

3. (U) The BOI, in its August economic report, stated that tourism contributed to an increase of 0.3 percent of Gross Domestic Product (GDP) in 2004, and that tourism is expected to contribute to an increase of about 0.2 percent to the GDP in 2005. Bank Leumi in its July macroeconomics survey noted that 750,000 tourists visited Israel in the first half of 2005, an increase of about 25 percent compared to 2004. The number of tourists is reflected in the increase of activity in a number of sectors including hotels, commerce, transportation, and tour operations.

Calming Security Increases Tourism

4. (U) Bank Leumi and BOI note that the calmer security situation is one of the major reasons for the increase in tourism in Israel. From January to June 2005, 221,768 tourists arrived from the U.S., an increase of 24.5 percent compared with 178,175 in the first six months of 2004. The Central Bureau of Statistics (CBS) indicates that Americans accounted for 25.6 percent of tourists in the first half of 2005.

5. (U) CBS reports that there were 134,228 tourists from France in the first half of 2005, an increase of 27.8 percent over the 105,098 tourists in the first half of 2004. CBS also states that French tourists accounted for 15.5 percent of tourists in both the first half of 2005 and 2004. The number of French tourists increased by 48 percent in 2004, and totaled 257,500, accounting for 17 percent of all tourists. In a July conference in Israel, Hirschson encouraged French tourism and indicated that efforts were underway to lower price of flights and attract additional tourism.

A Boost for The Economy and Employment

6. (U) Following the release of the January-June figures, Hirschson said that the tourism sector is lifting the whole economy. He asserted that the marketing activity of the Ministry of Tourism (MOT) in Europe, the U.S., and other destinations is proving effective. Every 100,000 tourists creates 4,000 new jobs and contributes USD 200 million to the GDP, Hirschson claimed. He noted that in the first six months of 2005, tourism helped create 6,000 new jobs.

The Skies May Be Opening

7. (U) The 2006 Arrangements Bill, presented to the Cabinet on August 9, contained an "open skies" clause. Former Finance Minister Binyamin Netanyahu and Hirschson were in

favor, with Netanyahu seeing this as strengthening competition and Hirschson arguing that it is a stimulus for increasing tourism. Opposition by the Minister of Transportation led to a compromise in which authority for licenses to fly to Israel remains in the hands of the Ministry of Transportation.

18. (U) The Minister of Transportation must consult with a "professional" committee that will be made up of the Director-Generals from tourism, aviation, finance, and the Prime Minister's office. The opinion of the committee will be presented to the Minister of Transportation within 30 days. In addition, the Transportation Minister will have to consult with the Tourism Minister before reaching a decision.

19. (U) In a related story, Hirschson stated that the tourism sector is expected to blossom in light of the change in the law. He said that it would encourage competition and open Israel's skies to new entrants on the Israeli market. He noted that the Ministry of Tourism (MOT) is pleased with the government's decision, and that the citizens of Israel will enjoy fair competition and lower-priced air tickets.

Las Vegas In Eilat

10. (U) In May, Netanyahu said he would work toward legalizing gambling. In June, it was reported that Sheldon Adelson, a Jewish philanthropist and a strong supporter of Israel, said that he would commit USD 1 billion to develop casinos in Eilat, if the GOI legalizes gambling. Hirschson joined Netanyahu's effort, and said he hoped to present a bill legalizing gambling by the end of the year, with the hope that a casino would be up in 18 months. In this regard, the Tourism Minister traveled to Las Vegas in June. Those in favor say that casinos would boost tourism, provide jobs, bring in foreign currency, and provide a boost to the economy. They claim that legalizing gambling in Israel would prevent the "export" of millions of dollars in foreign currency.

Tourism in The 2006 Budget

11. (U) Tourism is listed as one of the priorities for growth in the 2006 budget, with particular emphasis on Jerusalem and the Negev. The budget indicates that in order to accelerate incoming tourism, a sum (not stated in the budget presentation) be allocated to the MOT in 2006. The amount will be determined by a team with members from the MOT, the Budget Division in the MOT, and the Prime Minister's office.

12. (U) In order to encourage tourism to Jerusalem, and specifically the Old City, the budget states that NIS 10 million will be allocated within the MOT budget, from 2006 to 2012, with the participation of the Prime Minister's office budget, to finance a tourism plan for the Old City. Within the plan for developing the Negev, there are also amounts allocated for tourism - NIS 20 million for marketing, and NIS 25 million for tourism infrastructure.

Medium Term Plans: Israel Turns 60 in 2008

13. (U) The GOI is also thinking about plans for developing tourism for the 60th anniversary of the state of Israel, in 2008. According to the MOT, tens of millions of shekels are to be allocated by the Tourism and Housing Ministries. The Ministry of Housing will be responsible for developing infrastructure of towns, and the MOT will be responsible for rehabilitating sites through the company for infrastructure development, and marketing it to the public.

Non-Jewish Tourism to the Holy Land

14. (U) In recent tourism news, China recognized Israel as a major tourism destination. The MOT said this is a dramatic development and has tremendous significance. The MOT said that in light of the Chinese government's decision, they are asking El Al to increase the number of flights from Beijing to more than once a week. The MOT reports 3,000 Chinese arrivals in 2004, significantly lower than the height of Chinese tourism in 2000, which saw 12,000 Chinese tourists come to Israel.

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